

**CITY OF STROUD, OKLAHOMA**  
**Report on Audit of Financial Statements**  
**June 30, 2013**

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### **Independent Auditor's Report**

City Council  
City of Stroud  
Stroud, Oklahoma

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Stroud's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principals generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stroud's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2014 on my consideration of the City of Stroud's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering City of Stroud, Oklahoma's internal control over financial reporting and compliance.

*Judith K. Ballard, CPA, PC*

Stroud, Oklahoma  
January 8, 2014



## Management's Discussion and Analysis

The following discussion and analysis of the City of Stroud's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013.

### Financial Highlights

- ❖ The assets of the City of Stroud exceeded its liabilities at the close of the most recent fiscal year by \$13,420,552 (net position). Of this amount, \$1,909,789 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- ❖ The government's total net position increased by \$1,377,840 for the year ended June 30, 2013.
- ❖ As of the close of the current fiscal year the City of Stroud's governmental funds reported combined ending fund balances of \$1,036,496 an increase of \$65,377 in comparison with the prior year. Approximately \$317,077 is available for spending at the government's discretion (unassigned fund balance).
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$317,077.
- ❖ The City of Stroud's total debt increased by \$804,931 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Stroud's basic financial statements. The City of Stroud's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad view of the City of Stroud's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the City of Stroud's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Stroud is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Stroud that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of

the City of Stroud include general government, public safety, public works, and culture and recreation. The business-type activity of the City of Stroud, the Stroud Utility Authority, provides the City's electric, water, wastewater and sanitation utility operation.

The government-wide financial statements include not only the City of Stroud itself (known as the primary government), but also the legally separate authorities (Stroud Hospital Authority and Stroud Industrial Authority) for which the City of Stroud is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself. The Stroud Utility Authority, although also legally separate, functions for all practical purposes as a department of the City of Stroud, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Stroud, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Stroud can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital expenditure fund, and special revenue fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

**Proprietary funds.** The City maintains a type of proprietary funds, an Enterprise fund which is used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Stroud Utility Authority.

The basic proprietary fund financial statements can be found on pages **16-18** of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three fiduciary funds- the meter deposit fund, the HRA employee benefit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on **page 19** of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on **pages 20-37** of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on **page 38** of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditure for the general fund. Combining and individual fund statements and schedules can be found on **pages 39-40** of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,420,552 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g. land buildings, improvements, vehicles and equipment) less any related debt used to acquire those assets that are still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 1,363	\$ 1,976	\$ 3,339
Capital assets	5,332	8,512	13,844
Total assets	<u>6,695</u>	<u>10,488</u>	<u>17,183</u>
Long-term debt outstanding	138	2,763	2,901
Other liabilities	327	535	862
Total liabilities	<u>465</u>	<u>3,298</u>	<u>3,763</u>
Net position:			
Invested in capital assets, net of debt	5,263	5,793	11,056
Restricted	153	205	358
Unrestricted	814	1,192	2,006
Total in net position	<u>\$ 6,230</u>	<u>\$ 7,190</u>	<u>\$ 13,420</u>

A portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of \$2,006,115 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities increased the City's net position by \$1,008,898.

Table 2  
Statement of Activities  
(in Thousands)  
Year Ended June 30, 2013

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program Revenues			
Charges for services	\$347	\$4,271	\$4,618
Operating grants and contributions	-	-	-
Capital grants and contributions	875	-	875
General Revenue			
Sales and use tax	1,345	-	1,345
Franchise tax/fee	32	-	32
Other tax	84	-	84
Investment income	4	1	5
Other	148	154	302
Total revenues	<u>2,835</u>	<u>4,426</u>	<u>7,261</u>
Expenses			
General Government	572	382	954
Public Safety	892	-	892
Public Works	424	-	424
Culture and recreation	599	-	599
Electric	-	2,288	2,288
Water	-	293	293
Sewer	-	160	160
Economic Development	-	4	4
Sanitation	-	266	266
Lake	-	128	128
Depreciation/Amortization	-	468	468
Interest Expense	-	50	50
Maintenance	-	75	75
Other	-	-	0
Total expense	<u>2,487</u>	<u>4,114</u>	<u>6,601</u>
Increase/(decr) in net assets before transfers	348	312	660
Transfers-internal activity	587	(587)	-
Prior Year adjustment	74		74
Bond Issue Expense	-	(78)	(78)
OWRB Loan forgiveness	-	354	354
Capital contributions	-	201	201
Transfer from SIA/SHA	-	167	167
Gain/(Loss) on Sale of Assets	-	(1)	(1)
Change in net assets	<u>1,009</u>	<u>368</u>	<u>1,377</u>
Beginning net position	5,221	6,822	12,043
Ending net position	<u>6,230</u>	<u>7,190</u>	<u>13,420</u>

**Business-type activities.** Business-type activities increased the City's net position by \$368,942. The key element in this increase is the excess of operating income over operating expenses.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,036,496 an increase of \$65,377, in comparison with the prior year. Approximately 31% of this total amount or \$317,077 constitutes unassigned fund balance in the general fund, which is available for spending at the government's discretion. The remainder of the fund balances is designated to indicate that it is not available for new spending because it has already been restricted, committed, or assigned for projects such as capital improvements or is unavailable for spending.

- The fund balance of the City's general fund increased by \$12,637 during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Stroud Utilities Authority at the end of the year amounted to \$1,192,199.

The total increase in net position was \$368,942.

#### **General Fund Budgetary Highlights**

There was an increase of \$52,400 between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$1,531,580 were \$85,140 more than the estimated revenues in the budget of \$1,446,440. Actual expenditures of \$2,693,833 were \$13,383 more than the \$2,680,450 approved in budget appropriations.

#### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$11,056,632 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Utility infrastructure improvements and equipment purchases

Table 3  
Capital Assets (net of accumulated depreciation)  
(In Thousands)  
June 30, 2013

	Governmental Activities	Business-type Activities	Totals
Land	723	-	723
Construction in Progress	305	1,384	1,689
Buildings	725	461	1,186
Machinery & Equipment	339	235	574
Vehicles	324	109	433
Infrastructure	2,915	6,323	9,238
<b>TOTAL</b>	<b>5,331</b>	<b>8,512</b>	<b>13,843</b>

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$2,787,187. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$2,718,947 and capital lease obligations totaling \$68,240. This represents a increase of \$705,844 over last year.

Table 4  
Outstanding Debt  
(In Thousands)  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Capital lease obligations	\$ 68	-	68
Revenue bonds payable	-	2,719	2,719

#### Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2012-2013 budgets, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A downturn in the national economy is expected to have a continuing effect on the local economy for the coming year. Employment costs are currently stable and sales tax revenues are expected to remain stable.

City of Stroud, Oklahoma  
Statement of Net Position  
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 957,198	628,756	1,585,954	1,230,829
Investments	308,745	156,766	465,511	1,844,771
Receivables, net	630,218	563,534	1,193,752	-
Internal balances	(539,042)	539,042	-	-
Due from/(to) fiduciary funds	6,083	3,779	9,862	-
Total current assets	1,363,202	1,891,877	3,255,079	3,075,600
Noncurrent assets:				
Bond issuance costs, net	-	84,237	84,237	10,595
Capital assets, net of accumulated depreciation	5,331,506	8,512,312	13,843,818	3,149,468
Total noncurrent assets	5,331,506	8,596,549	13,928,055	3,160,063
Total assets	6,694,708	10,488,426	17,183,134	6,235,663
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	326,706	517,862	844,568	13,173
Accrued interest payable	-	17,493	17,493	-
Current portion of long-term obligation	-	216,997	216,997	43,072
Total current liabilities	326,706	752,352	1,079,058	56,245
Noncurrent liabilities:				
Accrued compensated absences	69,657	43,677	113,334	-
Capital lease obligations	68,240	-	68,240	-
Notes payable	-	2,501,950	2,501,950	717,574
Total noncurrent liabilities	137,897	2,545,627	2,683,524	717,574
Total liabilities	464,603	3,297,979	3,762,582	773,819
NET POSITION				
Invested in capital assets, net of related debt	5,263,266	5,793,366	11,056,632	2,388,822
Restricted for:				
Capital improvements	76,735	187,784	264,519	1,163,233
Other purposes	76,188	17,098	93,286	-
Unrestricted	813,916	1,192,199	2,006,115	1,909,789
Total net position	\$ 6,230,105	7,190,447	13,420,552	5,461,844

See accompanying notes to the basic financial statement.



City of Stroud, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2013

	Program Revenues					
		Charges for	Operating	Capital	Net	Component
	Expenses	Services	Grants and	Grants and	(Expense)	Units
			Contributions	Contributions	Revenue	
PRIMARY GOVERNMENT						
Governmental activities:						
General government	\$ 572,004	195,728	-	587	(375,689)	-
Public safety	892,364	71,721	-	9,076	(811,567)	-
Public works	423,915	8,233	-	857,122	441,440	-
Culture and recreation	598,581	71,367	-	7,965	(519,249)	-
Total government activities	2,486,864	347,049	-	874,750	(1,265,065)	-
Business-type activities:						
Administration	381,962	-	-	-	(381,962)	-
Electric	2,287,706	3,275,132	-	-	987,426	-
Water	293,272	444,748	-	-	151,476	-
Sewer	159,280	250,567	-	-	91,287	-
Economic Development	3,856	-	-	-	(3,856)	-
Sanitation	265,799	300,639	-	-	34,840	-
Lake	128,313	-	-	-	(128,313)	-
Maintenance	73,346	-	-	-	(73,346)	-
Depreciation & Amortization	467,767	-	-	-	(467,767)	-
Interest Expense	49,748	-	-	-	(49,748)	-
Other	36	-	-	-	(36)	-
Total business-type activities	4,111,085	4,271,086	-	-	160,001	-
Total primary government	\$ 6,597,949	4,618,135	-	874,750	(1,105,064)	-
Component units	\$226,535	-	-	-		(\$226,535)

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Change in net position:</b>				
<b>Net (expense) revenue</b>	<b>\$ (1,265,065)</b>	<b>160,001</b>	<b>(1,105,064)</b>	<b>(\$226,535)</b>
<b>General revenues:</b>				
Taxes:				
Sales and Use	1,344,877	-	1,344,877	-
Tobacco	15,294	-	15,294	-
Franchise	32,026	-	32,026	-
Alcoholic beverage	28,959	-	28,959	-
Gas and Vehicle	28,914	-	28,914	-
Other	11,002	-	11,002	-
Investment income	3,706	640	4,346	21,199
Miscellaneous	148,055	138,089	286,144	-
Rental and lease income		15,609	15,609	273,425
Transfers - internal activity	587,445	(587,445)	-	-
Other Transfers	-	166,642	166,642	(166,642)
Prior year adjustment	73,685			
Bond issue expense	-	(78,250)		
Gain/(Loss) on Sale of Assets	-	(871)	(871)	-
OWRB Loan forgiveness		354,000		
Capital Contributions	-	200,527	200,527	-
<b>Total general revenues and transfers</b>	<b>2,273,963</b>	<b>208,941</b>	<b>2,482,904</b>	<b>127,982</b>
<b>Change in net position</b>	<b>1,008,898</b>	<b>368,942</b>	<b>1,377,840</b>	<b>(\$98,553)</b>
 <b>Net position - beginning</b>	 <b>5,221,207</b>	 <b>6,821,505</b>	 <b>12,042,712</b>	 <b>5,560,397</b>
<b>Net position - ending</b>	<b>\$ 6,230,105</b>	<b>\$ 7,190,447</b>	<b>13,420,552</b>	<b>\$5,461,844</b>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Governmental Funds  
Balance Sheet  
June 30, 2013

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ (61,433)	\$ 307,861	\$ 478,790	231,980	957,198
Investments	263,526	-	-	45,219	308,745
Receivables, net	319,109	105,670	-	205,439	630,218
Due(to)/from other funds	(48,703)	129,548	(470,502)	(143,302)	(532,959)
Total assets	<u>472,499</u>	<u>543,079</u>	<u>8,288</u>	<u>339,336</u>	<u>1,363,202</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and Accrued Liabilities	155,422	20,549	-	150,735	326,706
Total liabilities	<u>155,422</u>	<u>20,549</u>	<u>-</u>	<u>150,735</u>	<u>326,706</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	79,152	79,152
Committed	-	522,530	-	109,449	631,979
Assigned	-	-	8,288	-	8,288
Unassigned	317,077	-	-	-	317,077
Total fund balances	<u>317,077</u>	<u>522,530</u>	<u>8,288</u>	<u>188,601</u>	<u>1,036,496</u>
Total liabilities and fund balances	<u>\$ 472,499</u>	<u>\$ 543,079</u>	<u>\$ 8,288</u>	<u>\$ 339,336</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.					
Governmental capital assets		\$ 14,618,010			
Less accumulated depreciation		<u>(9,286,504)</u>			5,331,506
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:					
Capital leases payable		(68,240)			
Accrued compensated absences		<u>(69,657)</u>			(137,897)
Net assets of governmental activities					<u>\$ 6,230,105</u>

See accompanying notes to the basic financial statements

City of Stroud, Oklahoma  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 983,866	\$ 448,292	-	28,914	1,461,072
Intergovernmental	59,076	376,952	-	438,722	874,750
Licenses and permits	4,853	-	-	-	4,853
Charge for services	273,130	-	-	8,233	281,363
Fines and forfeitures	60,833	-	-	-	60,833
Interest	1,767	422	1,148	369	3,706
Miscellaneous	148,055	-	-	-	148,055
Total revenues	<u>1,531,580</u>	<u>825,666</u>	<u>1,148</u>	<u>476,238</u>	<u>2,834,632</u>
<b>EXPENDITURES</b>					
Current:					
General government	532,545	-	-	-	532,545
Public safety	874,440	-	-	-	874,440
Public works	211,284	-	-	8,250	219,534
Culture and recreation	487,963	-	-	8,273	496,236
Capital outlay	-	539,413	-	654,192	1,193,605
Total expenditures	<u>2,106,232</u>	<u>539,413</u>	<u>-</u>	<u>670,715</u>	<u>3,316,360</u>
Excess (deficiency) of revenues over expenditures	<u>(574,652)</u>	<u>286,253</u>	<u>1,148</u>	<u>(194,477)</u>	<u>(481,728)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	587,445	-	-	-	587,445
Transfers out	-	-	-	-	-
Capital Contributions	-	-	-	-	-
Expenses Paid for Other Funds	(156)	(40,184)	-	-	(40,340)
Total other financing sources and uses	<u>587,289</u>	<u>(40,184)</u>	<u>-</u>	<u>-</u>	<u>547,105</u>
Net change in fund balances	12,637	246,069	1,148	(194,477)	65,377
Fund balances - beginning	304,440	276,461	7,140	383,078	971,119
Fund balances - ending	<u>\$ 317,077</u>	<u>\$ 522,530</u>	<u>\$ 8,288</u>	<u>\$ 188,601</u>	<u>1,036,496</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2013

Net Change in fund balances - total governmental funds \$ 65,377

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset expenditures in the current reporting period.

Capital outlay expenditures, net	1,146,486	
Depreciation expense	<u>(281,773)</u>	
		864,713

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. 87,894

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the net increase in compensated absences of \$9,086 (9,086)

Change in net position of governmental activities \$ 1,008,898

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Net Position  
June 30, 2013

Business-type Activities  
Enterprise Funds  
Stroud  
Utilities  
Authority

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 628,756
Investments	156,766
Receivables	563,534
Due from other funds	542,821
Total current assets	<u>1,891,877</u>

Non-current assets:

Bond issue cost - net	84,237
Capital assets, net of accumulated depreciation	8,512,312
Total non-current assets	<u>8,596,549</u>

Deferred outflows of resources

Total assets and deferred outflows of resources	<u>10,488,426</u>
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**LIABILITIES**

Current liabilities:

Accounts payable and Accrued Liabilities	517,862
Accrued interest payable	17,493
Current portion of long-term obligation	216,997
Total current liabilities	<u>752,352</u>

Non-current liabilities:

Accrued compensated absences	43,677
Note payable	2,501,950
Total non-current liabilities	<u>2,545,627</u>
Total liabilities	<u>3,297,979</u>

Deferred inflows of resources

**NET POSITION**

Invested in capital assets, net of related debt	5,793,366
Restricted:	
Capital improvement	187,784
Debt Service	17,098
Unrestricted	1,192,199
Total net position	<u>\$ 7,190,447</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2013

	Business-type Activities Enterprise Funds
	<u>Stroud</u>
	Utilities
	<u>Authority</u>
<u>OPERATING REVENUES:</u>	
Charges for services	
Electric	\$ 3,275,132
Water	444,748
Wastewater	250,567
Sanitation	300,639
Other (including ice storm fee)	95,898
Total operating revenues	<u>4,366,984</u>
<u>OPERATING EXPENSES:</u>	
General and administration	381,962
Electric	2,287,706
Water	293,272
Sewer	159,280
Sanitation	265,799
Economic development	3,856
Legal	36
Shop	38,681
Building and grounds	34,665
Lake	128,313
Depreciation and amortization	467,767
Total operating expenses	<u>4,061,337</u>
Operating income(loss)	<u>305,647</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Loss on Sale of Assets	(871)
Oklahoma Green Funds - Debt Forgiveness	354,000
Miscellaneous revenues	42,191
Rental and lease income	15,609
Bond Issue Expense-OWRB Series 2012	(78,250)
Interest and investment income	640
Interest expense	(49,748)
Total nonoperating revenues (expenses)	<u>283,571</u>
Income before other revenues, expenses, gains, losses and transfers	<u>589,218</u>
<u>CAPITAL CONTRIBUTIONS, SPECIAL AND EXTRA ITEMS AND TRANSFERS</u>	
Transfers in	166,642
Transfers out	(587,445)
Capital Contributions	200,527
Total operating transfers & other	<u>(220,276)</u>
Change in net position	<u>368,942</u>
Net position - beginning	6,821,505
Net position - ending	<u>\$ 7,190,447</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2013

	Business-type Activities Enterprise Funds
	<u>Stroud</u>
	<u>Utilities</u>
	<u>Authority</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 4,376,968
Payments to suppliers	(2,779,950)
Payments to employees	(565,942)
Net cash provided (used) by operating activities	<u>1,031,076</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Miscellaneous revenues	42,434
Operating transfers in (out)	(420,803)
Increase in due from other funds	(43,191)
Rent and lease proceeds	15,069
Debt forgiveness on OWRB Series 2012 Drinking Water	354,000
Net cash provided (used) by noncapital financing activities	<u>(52,491)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Bond Issue Costs -OWRB Series 2012 Drinking Water	(78,250)
Proceeds from / (paid) debt issuance	793,738
Interest expense	(46,571)
(Acquisition) disposition of fixed assets	(1,729,239)
Capital Contributions	200,527
Net cash provided (used) by capital and related financing activities	<u>(859,795)</u>
<u>CASH FLOWS INVESTING ACTIVITIES</u>	
(Increase) decrease in investments	-
Interest received	640
Net cash provided (used) by investing activities	<u>640</u>
Net increase (decrease) in cash and cash equivalents	119,430
Cash and cash equivalents, beginning of the year	509,326
Cash and cash equivalents, end of the year	<u>\$ 628,756</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	305,647
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and Amortization expense	467,767
Change in assets and liabilities:	
Receivable, net	9,984
Accounts payable and accrued liabilities	245,571
Compensated Absences	2,107
Total adjustments	725,429
Net cash provided by (used in) operating activities	<u>\$ 1,031,076</u>

See accompanying notes to the basic financial statements.



City of Stroud, Oklahoma  
Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2013

	Agency Funds		
	Meter Deposit	HRA	Municipal Court
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 38,435	6,872	6,840
Investments	56,171	-	-
Due from other funds	-	-	-
Total assets	<u>94,606</u>	<u>6,872</u>	<u>6,840</u>
LIABILITIES			
Customer deposits	90,827	-	-
Employee deposits	-	6,872	-
Due to bondholders	-	-	756
Due to other funds	3,779	-	6,084
Total liabilities	<u>94,606</u>	<u>6,872</u>	<u>6,840</u>
NET ASSETS	<u>\$ -</u>	<u>-</u>	<u>-</u>

See accompanying notes to the basic financial statement.

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

**I. Organization**

The City of Stroud, Oklahoma (the City) was established in 1898 and operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, and sanitation, and golf and airport facilities.

**II. Summary of significant accounting policies.**

**A. Reporting entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the City.

**Blended component units.** The Stroud Utilities Authority (SUA), serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The SUA was created May 27, 1963, to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The SUA is reported as an enterprise fund type.

**Discretely presented component units.** Discretely presented component units of the City issue separately audited financial statements. Copies of these audit reports may be obtained from the City Hall offices in Stroud.

There are two discretely presented component units of the City. The Stroud Hospital Authority was created April 1, 1976 to operate and maintain the Stroud Municipal Hospital, which was sold in May, 2004. This Authority continues to operate to stimulate economic growth and development of the City. The Trustees are different from the City's governing body and the City is the beneficiary.

The Stroud Industrial Authority was created February 25, 1974 to aid in the City's economic growth and development by financing, operating, constructing and administering any public works, improvements or facilities. The Trustees are a body separate from the City's governing body and the City is the beneficiary.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of the segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital expenditure fund is used for major capital expenditures of the City. It is funded by one-third of the three cents sales tax imposed by the City.

The special reserve fund is used for special projects the City may need additional funds for. Monies are transferred from other funds whenever the Town Council deems it appropriate.

The City reports the following major proprietary funds:

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

The Stroud Utilities Authority accounts for the City's utility operations including electric, water, wastewater, and sanitation, as well as broadband communications and ambulance services.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Stroud Utilities Authority are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net position**

**1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either: "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2013

**3. Inventories and prepaid items**

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Inventory amounts not consumed at year end are insignificant.

**4. Capital assets**

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40-50
Equipment	5-10
Vehicles	7-20
Infrastructure	15-50

**5. Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accrue vacation from 2 - 4 weeks a year, depending on length of service, up to a maximum of 240 hours for all employees. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 480 hours for employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are expensed beginning this fiscal year. Bonds payable are reported net of the applicable bond premium or discount.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2013

**7. Fund equity**

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable - This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from *restricted* fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of *committed* amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that *commit* amounts to specific purposes is not considered to be legally enforceable.

Assigned - This is the portion of the fund balance constrained by the *intent* of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned - This is the residual classification of fund balance in the *general fund*. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the City Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriation between funds and supplemental appropriations require City Council approval. The City Clerk may transfer appropriations between object categories within a fund without City council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Stroud Utilities Authority (accounted for as a blended component unit in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The city prepares its budgets for all funds on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contacts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances outstanding at year-end are not treated as expenditures in the budget and actual financial statements until the year they become expenditures.

For the year ended June 30, 2013, the City complied, in all material respects, with the applicable budget laws as discussed above. Supplemental appropriations reflected in the budget amounts reported in the financial statements were properly approved by the City Council. For the year ended June 30, 2013, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original</u> <u>Appropriations</u>	<u>Increase In</u> <u>Appropriations</u>	<u>Revised</u> <u>Appropriations</u>
General Fund	\$ 2,035,685	\$ 60,250	\$ 2,095,935
SUA	4,552,854	37,440	4,590,294
Street & Alley Fund	800,000	-	800,000
Capital Expenditure Fund	400,500	-	400,500

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

**IV. Detailed notes on all funds**

**A. Deposits and investments**

It is the City's policy for deposits to be secured by collateral and/or be federally insured. The City's deposits were fully covered by FDIC insurance and securities held by the pledging financial institution's trust department or agent in the entity's name at June 30, 2013.

Oklahoma Statutes allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trusts revenue bonds, except industrial revenue bonds; bonds of the State of Oklahoma and wholly owned corporations of the United States; short-term obligations of the United States; and certificates of deposit. All City funds have been invested in accordance with Oklahoma Statutes.

**B. Receivables**

Receivables as of June 30, 2013, for the City of Stroud's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Capital Expenditure Fund	Nonmajor Governmental Funds	Stroud Utilities Authority	Total
Gross Receivables	320,159	105,670	206,939	642,038	1,274,806
Less: allowance for uncollectibles	(1,050)	0	0	(78,504)	(79,554)
Net total receivables	<u>319,109</u>	<u>105,670</u>	<u>206,939</u>	<u>563,534</u>	<u>1,195,252</u>

**C. Capital assets**

*Net* Capital asset balances and activities for the year ended June 30, 2013, were as follows:



City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	723,266	-	-	723,266
Construction in Progress	12,200	304,833	(12,200)	304,833
Total capital assets, not being depreciated	735,466	304,833	(12,200)	1,028,099
Capital assets, being depreciated:				
Buildings and improvements	2,170,488	-	-	2,170,488
Equipment	833,835	57,648	(5,857)	885,626
Vehicles	1,239,924	77,114	-	1,317,038
Infrastructure	8,491,811	724,948	-	9,216,759
Total capital assets, being depreciated	12,736,058	859,710	(5,857)	13,589,911
Less accumulated depreciation for:				
Buildings	(1,391,095)	(53,930)	-	(1,445,025)
Equipment	(494,428)	(54,694)	2,406	(546,716)
Vehicles	(910,778)	(82,257)	-	(993,035)
Infrastructure	(6,208,430)	(93,298)	-	(6,301,728)
Total accumulated depreciation	(9,004,731)	(284,179)	2,406	(9,286,504)
Total capital assets, being depreciated, net	3,731,327	575,531	(3,451)	4,303,407
Governmental activities capital assets, net	4,466,793	880,364	(15,651)	5,331,506

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities-SUA				
Capital assets, not being depreciated:				
Land	-	-	-	-
Construction in Progress	183,065	1,205,978	(4,620)	1,384,423
Total Capital assets, not being depreciated	183,065	1,205,978	(4,620)	1,384,423
Capital assets, being depreciated:				
Buildings	567,364	251,389	-	818,753
Equipment	300,006	92,051	(1,952)	390,105
Vehicles	322,625	-	-	322,625
Infrastructure	15,813,712	184,405	-	15,998,117
Total capital assets, being depreciated	17,003,707	527,845	(1,952)	17,529,600
Less accumulated depreciation:				
Buildings	(338,383)	(19,365)	-	(357,748)
Equipment	(137,437)	(26,344)	8,314	(155,467)
Vehicles	(183,587)	(29,795)	-	(213,382)
Infrastructure	(9,284,735)	(390,379)	-	(9,675,114)
Total accumulated depreciation	(9,944,142)	(465,883)	8,314	(10,401,711)
Total capital assets, being depreciated, net	7,059,565	61,962	6,362	7,127,889
Business-type activities capital assets, net	7,242,630	1,267,940	1,742	8,512,312

Depreciation expense was charged to functions/programs as follows:

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

Governmental activities:	Current Year Depreciation	Retirements	Net
General government	39,579	(802)	38,777
Public safety	87,520	(1,604)	85,916
Public works	46,713	-	46,713
Culture and recreation	110,367	-	110,367
 Total depreciation expense - governmental activities	 284,179	 (2,406)	 281,773
 Business-type activities:			
Electric	98,927	-	98,927
Water	72,475	-	72,475
Sewer	149,629	-	149,629
Cultural and Recreation	122,868	-	122,868
General and administration	14,751	(1,081)	13,670
 Total depreciation expense - business-type activities	 458,650	 (1,081)	 457,569

**D. Deposits subject to refund**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2013, cash and investments included \$90,827 available for refund of customer deposits.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2013, there were \$756 in bonds being held that were subject to refund.

**E. Leases**

**Capital Leases**

The City has entered into various lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease obligations are as follows:

**City of Stroud**

\$1,952 Lease purchase agreement with US Bank dated November, 2012 payable in monthly installments of \$61, including interest at 6%, maturing December, 2013 for a copier.	1,458
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**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

\$3,905 lease purchase agreement with US Bank, dated November 2012, payable in monthly installments of \$123, at 6% interest, maturing December 2015, for a copier	2,916
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Lease purchase agreement with Oshkosh Capital dated August 30, 2007 Payable in monthly installments of \$2,766, including interest at 5.0%, maturing August 2017, for one 2007 Prince Contender Custom Pumper.	63,866
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Total Governmental-type activities	<u>68,240</u>
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Total capital lease obligation	\$ <u>68,240</u>
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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Activities
2014	\$ 35,039
2015	35,383
2016	1,522
2017	-
2018	-
2019	-
Total required payments	71,944
Less: Interest expense	3,704
Total principal payments	\$ 68,240

**F. Long-term debt**

Long-term liabilities of the City of Stroud as of June 30, 2013, are summarized as follows:

**Governmental activities**

Accrued compensated absences	\$ <u>69,657</u>
Total governmental activities	<u>69,657</u>

**Business-type activities**

*Stroud Utilities Authority*

\$1,700,000 promissory note, Series 2005, to the Oklahoma Water Resources Board, dated November 22, 2005, payable in semi-annual installments over 20 years including interest at 2.60% secured by pledged one cent sales tax.	1,243,846
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**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

*Stroud Utilities Authority*

\$2,360,000 promissory note, Series 2012 Drinking Water SRF, to the Oklahoma Water Resource Board, dated September 1, 2012, interest at 1.80%, semi-annual Payments of \$66,867 to begin September 2013 or March 2014, whichever follows the completion of the project, secured by a pledged sales tax and utility revenues, maturing September 2028 902,409

*Stroud Utilities Authority*

\$611,486 promissory note, Series 2011 Clean Water, to the Oklahoma Water Resource Board, dated February 22, 2011 payable in semi-annual installments Of \$20,518 over 20 years, including interest at 2.62%, secured by a pledged sales tax and utility revenues. 571,234

*Stroud Utilities Authority*

\$1,952 note to US Bank, dated November 2012, payable at \$61/month, including interest at 6%, maturing December 2015, for a copier 1,458

Accrued compensated absences 43,677

Total business-type activities \$ 2,762,624

Long-term liabilities transactions for the year ended June 30, 2013 and changes therein were as follows:

Governmental activities					
Accrued compensated absences	60,571	9,086	-	69,657	17,414
Total governmental activities	<u>60,571</u>	<u>9,086</u>	<u>-</u>	<u>69,657</u>	<u>17,414</u>
Business-type activities					
US Bank-copier	122	-	122	-	-
US Bank-copier	-	1,952	494	1,458	554
SpiritBank Truck	14,609	-	14,609	-	-
OWRB-2012	-	1,256,409	354,000	902,409	118,019
OWRB-Series 2011	593,663	-	22,429	571,234	23,144
OWRB - Series 2005	1,316,815	-	72,969	1,243,846	75,280
Accrued compensated absences	41,570	2,107	-	43,677	10,919
Total business-type activities	<u>1,966,779</u>	<u>-</u>	<u>464,623</u>	<u>2,762,624</u>	<u>227,916</u>
Total long-term debt	<u>2,027,350</u>	<u>-</u>	<u>464,623</u>	<u>2,832,281</u>	<u>245,330</u>

Annual debt service requirements to maturity for notes payable are as follows:

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2013

Year Ending June 30,	Business-Type Activities
2014	\$ 280,100
2015	280,717
2016	280,687
2017	281,041
2018	281,593
2019-2023	1,045,752
2024-2028	593,758
2029-2033	142,230
	<hr/>
Total principal and interest	3,185,878
Less interest	<u>466,931</u>
	<hr/>
Principal outstanding at June 30, 2013	<u><u>\$ 2,718,947</u></u>

**G. Compensated absences**

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of 240 hours may be carried over from one benefit year into another. Payment in lieu of vacation is limited to a maximum of ten days. In accordance with the guidelines set fourth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation and sick leave as follows:

Governmental activities	\$69,657
Business-type activities	<u>43,677</u>
Total accrued compensated absences	\$113,334

Full-time employees earn sick leave at the rate of ten hours per month, up to 60 days. Police employees earn 10 hours per month up to 480 hours. Upon retirement, employees are paid at the rate of ½ hour for every 1 hour accumulated sick leave up to the maximum accrual of 240 hours compensation for 480 hours.

**H. Interfund receivables, payables and transfers**

Interfund transactions:

The composition of interfund balances as of June 30, 2013 is as follows:

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

General fund	Other Government	37,630
Capital Expenditure fund	Other Government	129,548
Other Government	General fund	27
Other Government	SUA	1,500
General fund	Agency	6,085
SUA	Other Government	9,850
SUA	General fund	92,389
SUA	Special Reserve fund	438,303
SUA	Agency	3,779
Total		<u>719,111</u>

Interfund transactions:

	Transfers In				Totals
	General Fund	Capital Expenditure Fund	Nonmajor Governmental	Stroud Utilities Authority	
Transfers out:					
Nonmajor governmental	-	-	-	-	-
Stroud Utilities Authority	586,365	-	-	-	586,365
Capital Expenditure Fund	-	-	-	-	-
Totals	<u>586,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,365</u>

**V. Other information**

**A. Risk management**

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Retained</u>
a. Torts, errors and omissions, health and life, and vehicle loss	Participation in Oklahoma Municipal Assurance Group	None
b. Injuries to employees (workers compensation)	Participation in Oklahoma Municipal Assurance Group	None
c. Physical property loss and natural disaster	Participation in Oklahoma Municipal Assurance Group.	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

**B. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

**C. Employee retirement systems and pension plans**

The City of Stroud participates in the Oklahoma State Firefighters' Pension and Retirement System (OFPRS). This Plan is a cost-sharing multiple-employer defined benefit pension plan. Additionally, for other City employees not covered by the other plan, the City of Stroud maintains a defined benefit plan, Oklahoma Municipal Retirement Fund (OMRF), for employees not covered by other plans. This Plan is an agent multiple employer defined benefit pension plan.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the City.

That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System in Oklahoma City, Oklahoma.

Funding Policy - The City of Stroud contributes \$60 per volunteer firefighter for the year ended June 30, 2013.

Oklahoma Municipal Retirement (OMRF)

Plan Description - The City maintains a defined benefit retirement plan which covers employees not covered by other plans. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). All regular, full-time City employees not covered by other plans are required to participate in the OMRF. Benefits vest after ten years of service. Effective July 1, 1993, employees who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to 1.875% of final average compensation multiplied by the number of years credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65 the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

A participant who becomes totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit computed based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age.

Employee contributions are returned with accrued interest if their employment is terminated prior to completion of ten years of service. A death benefit is payable after ten years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

*Funding Policy* - The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of March 2013. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.5% compounded annually, 2) future salary increases based on the age of the employee.

Actuarially Determined Contribution Requirements and Contributions Made

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method.

The unfunded actuarial liability (UAL) is the excess of the total actuarial liability for active and non-active participants, over the actuarial value of plan assets. This amount (redetermined each year) is amortized as a level dollar amount over 30 years from the amortization base date. The amortization base date is initially set as the 2013 valuation date. Experience gains (decreases in cost due to favorable experience), or experience losses (increases in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Plan, are amortized as part of the UAL.

The market value of plan assets is compared to the expected value based on the prior year market value to determine the investment gain or loss for the year. This gain or loss is then recognized ratably over a 5-year period beginning on the valuation date.

This is a change from the prior years' method of recognizing 25% of cumulative net gains and losses on a rolling basis. In order to effect a smooth transition to the new method in this first year, the cumulative net gains and losses will be determined, and this amount will be recognized ratably over a 4-year period beginning on the valuation date.

For the fiscal year ended June 30, 2013, employees were required to contribute 4.50% of annual compensation. The City is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate, for the fiscal year ended June 30, 2013, was 10.14%. During the year ended June 30, 2013, the City and the employees contributed \$136,935 and \$55,641, respectively, to the OMRF.



**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

Historical trend information for the OMRF Employee Retirement System of Stroud, Oklahoma for the past ten years is as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
1/1/2004	2,076,721	2,442,410	85.0%	365,689	899,674	40.6%
1/1/2005	2,178,601	2,479,171	87.9%	300,570	973,817	30.9%
1/1/2006	2,264,870	2,645,581	85.6%	380,711	982,802	38.7%
1/1/2007	2,372,187	2,502,866	94.8%	130,679	1,051,509	12.4%
1/1/2008	2,475,867	2,648,246	93.5%	172,380	1,096,224	15.7%
1/1/2009	2,261,072	2,579,015	87.7%	317,943	1,013,934	31.4%
1/1/2010	2,232,361	2,663,862	83.8%	431,501	1,007,505	42.8%
1/1/2011	2,275,998	2,823,191	80.6%	547,192	1,118,232	48.9%
1/1/2012	2,311,328	2,978,982	77.6%	667,654	1,104,738	60.4%
1/1/2013	2,440,080	3,425,408	71.2%	985,328	1,193,866	82.5%

City Manager Only Plan (COM)

Plan Description - The City of Stroud participates in the Oklahoma Municipal Retirement Fund's City Manager Only Plan for its city manager. The City Manager Only Plan provides portable retirement plans for municipal managers.

The participant vests immediately in all contributions, however, benefits are not available to the participant until retirement, termination, death, or unforeseeable emergency.

Funding Policy - The City of Stroud contributes 13.0% of participant compensation to the plan and the participant contributes 10.0% of compensation. Contributions made by the City on behalf of the participant during the year ended June 30, 2013 were \$10,689 and participant contributions were \$8,222.

**D. Expanded Governmental Fund Balance Classification**

The following shows the governmental fund balances by classification. Where the amounts are nonspendable, restricted, committed or assigned, the purposes for which they are so designated are noted below.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2013

	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted For:</b>					
Capital projects	-	-	-	-	-
Airport	-	-	-	9,265	9,265
Streets	-	-	-	-	-
Library	-	-	-	2,390	2,390
Economic Dev	-	-	-	-	-
Cemetery	-	-	-	67,497	67,497
<b>Committed:</b>					
Special Projects	-	522,530	-	109,449	631,979
<b>Assigned:</b>	-	-	8,288	-	8,288
<b>Unassigned:</b>	317,077	-	-	-	317,077
<b>Total fund balances</b>	<u>\$317,077</u>	<u>\$522,530</u>	<u>\$8,288</u>	<u>\$188,601</u>	<u>\$1,036,496</u>

#### E. Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the outstanding capital debt less any unspent debt proceeds (held as liquid assets) and any associated unamortized cost.

Restricted Net Position - represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position - represent unrestricted liquid assets.

#### F. Capital Contributions

The Stroud Utilities Authority reported \$200,527 in capital contributions for the fiscal year. This represents the assets purchased and various operating expenses paid for by the Capital Expenditure Fund during the fiscal year.

#### G. Additional One Cent Sales Tax

In April 2013, the citizens of Stroud voted in favor of an additional one cent sales tax to be levied and collected solely for the purpose of street repairs and construction expenses. A new bank account was set up in July 2013 and the Town began receiving the additional sales tax in September 2013.

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2013**

**H. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City of Stroud does not have any deferred outflows of resources for the current fiscal year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City of Stroud does not have any deferred inflows of resources for the current fiscal year.

City of Stroud, Oklahoma  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2013

	Budget			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 960,000	\$ 960,000	983,866	23,866
Intergovernmental	15,000	65,000	59,076	(5,924)
Licenses and permits	5,150	5,150	4,853	(297)
Charge for services	295,420	295,420	273,130	(22,290)
Fines and forfeitures	55,000	55,000	60,833	5,833
Interest	3,000	3,000	1,767	(1,233)
Miscellaneous	46,620	62,870	148,055	85,185
Total revenues	<u>\$ 1,380,190</u>	<u>\$ 1,446,440</u>	<u>\$ 1,531,580</u>	<u>\$ 85,140</u>
<b>EXPENDITURES</b>				
General government:				
Administration	\$ 453,101	\$ 524,951	\$ 521,602	\$ (3,349)
Legal	15,380	11,130	10,943	(187)
Public safety:				
Police	725,330	686,253	694,487	8,234
Fire	159,243	179,820	179,917	97
Civil defense	1,000	100	37	(63)
Public works:				
Streets	115,302	135,202	134,619	(583)
Airport	-	-	-	-
Cemetery	18,600	13,600	12,794	(806)
Shop	32,640	29,940	28,705	(1,235)
Building & Grounds	43,203	35,203	35,322	119
Culture and recreation:				
Library	98,985	92,985	99,873	6,888
Community center	11,200	5,700	5,444	(256)
Golf course	149,313	142,313	140,989	(1,324)
Recreation/parks	176,461	194,961	199,594	4,633
Fitness center	41,927	41,927	42,062	135
Total expenditures	<u>\$ 2,041,685</u>	<u>\$ 2,094,085</u>	<u>\$ 2,106,388</u>	<u>\$ 12,303</u>
Excess (deficiency) of revenues over (under) expenditures	(661,495)	(647,645)	(574,808)	72,837
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>586,365</u>	<u>586,365</u>	<u>587,445</u>	<u>1,080</u>
Net changes in fund balances	(75,130)	(61,280)	12,637	73,917
Fund balances - beginning			304,440	
Fund balances - ending			<u>\$ 317,077</u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Special Revenue						Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	CDBG Grant	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 30,854	3,125	97,360	73,798	22,251	4,592	231,980
Investments	-	-	-	-	45,219	-	45,219
Receivables, net	5,636	-	41,453	-	-	158,350	205,439
Due from other funds	(839)	-	(129,548)	-	27	(12,942)	(143,302)
TOTAL	<u>\$ 35,651</u>	<u>3,125</u>	<u>9,265</u>	<u>73,798</u>	<u>67,497</u>	<u>150,000</u>	<u>339,336</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	-	735	-	-	-	150,000	150,735
Total Liabilities	<u>\$ -</u>	<u>735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,735</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	2,390	9,265	-	67,497	-	79,152
Committed	35,651	-	-	73,798	-	-	109,449
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>\$ 35,651</u>	<u>\$ 2,390</u>	<u>\$ 9,265</u>	<u>\$ 73,798</u>	<u>\$ 67,497</u>	<u>\$ -</u>	<u>\$ 188,601</u>
TOTAL	<u>\$ 35,651</u>	<u>\$ 3,125</u>	<u>\$ 9,265</u>	<u>\$ 73,798</u>	<u>\$ 67,497</u>	<u>\$ 150,000</u>	<u>\$ 339,336</u>

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma  
Nonmajor Governmental Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2013

	Special Revenue						Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	CDBG Grant	
<b>REVENUES</b>							
Taxes	28,914	-	-	-	-	-	28,914
Intergovernmental	18,311	7,965	254,096	-	-	158,350	438,722
Charge for services	-	-	5,100	-	3,133	-	8,233
Interest	-	-	199	169	1	-	369
Miscellaneous	-	-	-	-	-	-	-
Total revenues	47,225	7,965	259,395	169	3,134	158,350	476,238
<b>EXPENDITURES</b>							
Current							
General government	-	-	-	-	-	-	-
Cultural and Recreation	-	8,273	-	-	-	-	8,273
Public safety	-	-	-	-	-	-	-
Public Works	8,250	-	-	-	-	-	8,250
Capital outlay	233,311	-	262,531	-	-	158,350	654,192
Total expenditures	241,561	8,273	262,531	-	-	158,350	670,715
Excess (deficiency) of revenues over expenditures	(194,336)	(308)	(3,136)	169	3,134	-	(194,477)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Expenditures paid for other funds	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-
Net change in fund balances	(194,336)	(308)	(3,136)	169	3,134	-	(194,477)
Fund balances - beginning	229,987	2,698	12,401	73,629	64,363	-	383,078
Fund balances - ending	35,651	2,390	9,265	73,798	67,497	-	188,601

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>				
(Passed through the Oklahoma Dept of Commerce)				
Community Development Block Grant	14.228	15181 CDBG 12	184,000	158,350
Total U.S. Dept of Housing and Urban Development			184,000	158,350
<u>US Department of Transportation</u>				
(Passed through the Oklahoma Dept of Transportation)				
Airport Perimeter Fencing	20.106	03-40-0091-008-2012	293,400	254,262
Total U.S. Dept of Transportation			293,400	254,262
<u>US Environmental Protection Agency</u>				
(Passed through Oklahoma Water Resource Board)				
ARRA-Drinking Water State Revolving Fund	66.468	ORF-13-0001-DW	2,360,000	1,258,284
Total U.S. Environmental Protection Agency			2,360,000	1,258,284
Total Federal Funds			2,837,400	1,670,896
<u>STATE PROGRAMS</u>				
<u>State of Oklahoma</u>				
Passed through Oklahoma Dept. of Agriculture				
Fire Grant	N/A	N/A	4,484	4,484
Passed through Oklahoma Dept. of Libraries	N/A	N/A	7,965	7,965
Rural Economic Action Plan; 2012-2013 REAP Fund	N/A	N/A	50,000	50,000
Oklahoma Highway Safety Office; "More Cops, More Stops"				
Overtime	N/A	CE-13-03-40-02	4,000	2,302
Oklahoma Highway Safety Office; "More Cops, More Stops"	N/A		10,000	2,290
Overtime 2011/2012				
Total State of Oklahoma			76,449	67,041
Total Federal and State Assistance			\$ 2,913,849	\$ 1,737,937

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal and state awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

City Council  
City of Stroud, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Stroud's basic financial statements and have issued my report thereon dated January 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Stroud, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Stroud, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Stroud, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Stroud, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Judith K. Ballard, CPA, PC*

Stroud, Oklahoma 74079  
January 8, 2014



**CITY OF STROUD, OKLAHOMA  
SINGLE AUDIT SUPPLEMENT AND  
INDEPENDENT AUDITOR'S REPORTS  
ON COMPLIANCE AND INTERNAL CONTROL**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

CITY OF STROUD, OKLAHOMA  
SINGLE AUDIT SUPPLEMENT AND  
INDEPENDENT AUDITOR'S REPORTS  
ON COMPLIANCE AND INTERNAL CONTROL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

City Council  
City of Stroud, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Stroud's basic financial statements and have issued my report thereon dated January 8, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Stroud, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Stroud, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Stroud, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Stroud, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Judith K. Ballard, CPA, PC*

Stroud, Oklahoma 74079  
January 8, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City Council  
City of Stroud, Oklahoma

**Report on Compliance for Each Major Federal Program**

I have audited City of Stroud, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Stroud, Oklahoma's major federal programs for the year ended June 30, 2013. City of Stroud, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of City of Stroud, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Stroud, Oklahoma's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Stroud, Oklahoma's compliance.

**Opinion on Each Major Federal Program**

In my opinion, City of Stroud, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of City of Stroud, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Stroud, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct,

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noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Judith K. Ballard, CPA, PC*

Stroud, Oklahoma 74079  
January 8, 2014

City of Stroud, Oklahoma  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u> (Passed through the Oklahoma Dept of Commerce) Community Development Block Grant	14.228	15181 CDBG 12	184,000	158,350
Total U.S. Dept of Housing and Urban Development			184,000	158,350
<u>US Department of Transportation</u> (Passed through the Oklahoma Dept of Transportation) Airport Perimeter Fencing	20.106	03-40-0091-008-2012	293,400	254,262
Total U.S. Dept of Transportation			293,400	254,262
<u>US Environmental Protection Agency</u> (Passed through Oklahoma Water Resource Board) ARRA-Drinking Water State Revolving Fund	66.468	ORF-13-0001-DW	2,360,000	1,258,284
Total U.S. Environmental Protection Agency			2,360,000	1,258,284
Total Federal Funds			2,837,400	1,670,896
<u>STATE PROGRAMS</u> <u>State of Oklahoma</u>				
Passed through Oklahoma Dept. of Agriculture Fire Grant	N/A	N/A	4,484	4,484
Passed through Oklahoma Dept. of Libraries	N/A	N/A	7,965	7,965
Rural Economic Action Plan; 2012-2013 REAP Fund	N/A	N/A	50,000	50,000
Oklahoma Highway Safety Office; "More Cops, More Stops" Overtime	N/A	CE-13-03-40-02	4,000	2,302
Oklahoma Highway Safety Office; "More Cops, More Stops" Overtime 2011/2012	N/A		10,000	2,290
Total State of Oklahoma			76,449	67,041
Total Federal and State Assistance			\$ 2,913,849	\$ 1,737,937

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal and state awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF STROUD, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Stroud, Oklahoma.
2. There were no conditions disclosed during the audit of the financial statements required to be reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.
3. No instances of non-compliance material to the financial statements were disclosed during the audit.
4. No internal control reportable conditions relating to the audit of the major federal award program are reported.
5. The auditor's report on compliance for the major federal award program expresses an unqualified opinion.
6. The audit disclosed no audit findings related to major programs that are required to be reported.
7. The programs tested as a major program are  
ARRA-Drinking Water State Revolving Fund 66.468 ORF-13-0001-DW
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Stroud, Oklahoma was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**Compliance**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None